



**FRED-YOUNG & EVANS**  
**LEGAL PRACTITIONERS**

## **An Evaluation of the Legal Framework and Advantages of Doing Business in Nigeria's Licensed Free Zones**

Though Nigeria is the largest consumer market in Africa, the ever increasing rate of unemployment with its adverse effect on the Nigerian economy has been a perennial problem for successive Governments. In order to generate employment, diversify the economy, increase foreign exchange earnings, boost her Gross Domestic Product and enhance technology transfer, the Nigerian Government have introduced several policies and plans to encourage both local and foreign manufacturers to take advantage of the huge Nigerian market while working towards developing their export markets. One of such policies is the Investment Incentives in Nigeria's Free Zones ("**the Zone**").

The Nigerian Export Processing Zones Authority established in 1992 following the enactment of the Nigeria Export Processing Zones Act of 1992 is responsible for promoting local and international investments in the Zone. The Zone scheme was set up to strategically improve the investment climate by stimulating export oriented business activities through strengthening strategic national economic policies, streamlining administrative approval processes and providing a one-stop-shop service for businesses both within and outside Nigeria.

Since most Food and Beverage, Household and Pharmaceutical products are on the Federal Government's Import Prohibition List, foreign manufacturers may take advantage of the investment incentives in Electrical and Electronic Products, Textile Products, Garments, Wood Products and Handicraft, Leather Products, Petroleum Products, Rubber and Plastic Products, Cosmetic and other Chemical Products, Metal Products and Machinery, Educational Materials and Sports Equipment, Printing Materials, Communication Office, Medical Kits, Biscuits, Confectioneries and other Food Processing, Pharmaceutical Products, Ship building and Repairs, Oil and Gas Logistics, Optical Instruments and Appliance business permissible within the Zone.

Under the Scheme, businesses located at the Zone enjoy complete tax holiday from all Federal, State and Local Government taxes, rates, customs duties and levies; one-stop approval for all permits; duty-free introduction of capital goods, consumer goods, machinery, equipment and furniture; permission to sell 100% of manufactured, assembled or imported goods in the domestic Nigerian market; import duty on goods manufactured in the Zone is calculated on the basis of the value of the raw materials or components used in assembly and not the finished products; 100% foreign ownership of investments; 100% repatriation of capital, profits and dividends, and waiver of all import and export licenses; waiver on all expatriate quotas; prohibition of strike and lockouts; and rent-free land during the first 6 months of construction.

The facilities at the Zone include large expense of industrial land with access to international airports and seaports, fenced wall around the Zone with good security network, trained free zone Customs/Immigration as obtained in Free Zones in other parts of the World, pre-built Zone warehouses for ware-housing and storage of raw materials and products, efficient telecommunication facilities, uninterrupted electricity and water supply, good internal and external road network and central transit warehousing facilities at major ports for efficient handling of Free Zone goods.

Investors at the Zone can also benefit from Nigeria's proximity to abundant natural resources such as wood, rubber, cocoa, cassava, gum Arabic, kola nuts, tin, sesame seeds, fruits etc. as well as abundant supply of skilled and unskilled labor at competitive rates. Nigeria's benefits on more than 6, 500 products under the African Growth and Opportunity Act and preferential quotas and tariffs on the export of some goods to European Union make trading in the Zone a worthwhile investment.

While an increase in foreign direct investment in the Zone will lead to the growth of Nigeria's economy and make the Zone rapidly become a renowned business hub in Africa, investors will gain from the special export tariffs on their products. Asian and European manufactures seeking to break into Africa's market may seize this opportunity to introduce their products and obtain rich rewards for doing so. It is without doubt that Nigeria's Licensed Free Zones presents a veritable platform for global business and commerce.